



**Town of Randolph  
Randolph, Utah**

**Financial Statements  
With Accountants' Compilation Report  
For the Year Ended June 30, 2006**

**Ulrich & Associates, PC  
Certified Public Accountants  
Ogden, Utah**

# Town of Randolph

## Table of Contents

June 30, 2006

---

Accountants' Compilation Report	2
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Balance Sheet Reconciliation to Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Statement of Changes Reconciliation to Statement of Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual - General Fund	16
Statement of Net Assets - Proprietary Funds	17
Statement of Revenues, Expenditures, and Changes in Fund Net Assets - Proprietary Funds	18
Statement of Cash Flows - Proprietary Funds	19
Notes to Financial Statements	21

**Ulrich & Associates, PC**  
Certified Public Accountants

**ACCOUNTANTS' COMPILATION REPORT**

The Honorable Mayor and Members  
of the Town Council  
Town of Randolph  
Randolph, Utah

We have compiled the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Randolph as of and for the year ended June 30, 2006, which comprise the Town's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion, or any other form of assurance, on them.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standard Board. We have compiled the supplementary information, from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

*Ulrich & Associates, P.C.*

January 18, 2007

Members of Utah Association of CPAs | American Institute of CPAs

**Charles E. Ulrich, CPA | Michael E. Ulrich, CPA**  
Cathie Hurst, CPA | Heather Christopherson, CPA | Brandon Olsen, CPA  
website/ [www.ulrichcpa.com](http://www.ulrichcpa.com)

4991 South Harrison | Ogden, Utah 84403  
Tel/ 801.627.2100 | Fax/ 801.475.6548  
email/ [ulrich@ulrichcpa.com](mailto:ulrich@ulrichcpa.com)

**Town of Randolph**  
**Management's Discussion and Analysis**  
**June 30, 2006**

---

As management of the Town of Randolph, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Randolph for the fiscal year ended June 30, 2006.

**Financial Highlights**

The total net assets of \$898,804 is made up of \$549,267 in capital assets less related debt of \$62,158, and other net assets of \$411,695.

In the Enterprise Fund, expenditures exceeded revenues by \$1,499. This includes a non-cash charge for depreciation of \$24,576.

Total long-term liabilities of the Town were reduced by \$21,924.

**Reporting the Town as a Whole**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town of Randolph's basic financial statements comprise three components 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Randolph's finances, in a manner similar to a private-sector business.

The statements of net assets presents information on all of the Town of Randolph's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Randolph is improving or deteriorating. However, you will also need to consider other nonfinancial factors.

The statement of activities presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

# **Town of Randolph**

## **Management's Discussion and Analysis**

**June 30, 2006**

---

Both of the government-wide financial statements distinguish functions of the Town of Randolph that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 10 and 11 of this report.

### **Reporting the Town's Most Significant Funds**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Randolph also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds** - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general governmental operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The major governmental funds (as determined by generally accepted accounting principles) are the general fund and capital projects fund.

**Proprietary funds** - Town of Randolph maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Randolph uses an enterprise fund to account for its Water Utility.

As determined by generally accepted accounting principles, the water utility fund meets the criteria of major fund classification.

# Town of Randolph

## Management's Discussion and Analysis

June 30, 2006

### Government-wide Financial Analysis

Net assets, over time, are intended to serve as an indicator of a government's financial position. In the case of the Town of Randolph, assets exceeded liabilities by \$898,804, an increase of \$41,439 over the prior year. This increase was largely due to an increase in franchise tax revenue. By far, the largest portion of the Town of Randolph's net assets is its investment in capital assets (e.g., land, buildings, machinery and equipment, etc). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. It should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 260,488	233,829	177,449	216,713
Capital assets	119,257	106,261	429,977	454,573
Total assets	379,745	340,090	607,426	671,286
Long-term debt outstanding	20,878	25,605	41,247	53,888
Other liabilities	9,242	7,799	17,000	66,720
Total liabilities	30,120	33,404	58,247	120,608
Net Assets:				
Invested in capital assets, net of debt	98,379	80,657	388,730	400,685
Restricted	63,391	73,326	8,895	7,030
Unrestricted	187,855	152,704	151,554	142,963
Total net assets	\$ 349,625	306,687	549,179	550,678

**Town of Randolph**  
**Management's Discussion and Analysis**  
**June 30, 2006**

**Changes in Net Assets**

	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
<b>Revenues:</b>				
Program revenues:				
Charges for services	\$ 6,326	6,563	49,940	49,868
Operating grants & contributions	28,938	20,304	-	-
General revenues:				
Property taxes	20,460	14,545	-	-
Other taxes	84,584	76,059	-	-
Interest income	3,078	1,552	1,546	763
Total revenues	143,386	119,023	51,486	50,631
<b>Expenses:</b>				
General government	58,390	52,954	-	-
Public safety	1,868	1,089	-	-
Highways/public improvements	28,120	25,538	-	-
Parks & recreation	10,866	5,109	-	-
Water & waste collection	180	203	50,512	54,767
Total expenses	99,424	84,893	50,512	54,767
Transfers	-	-	-	-
Interest expense	(1,024)	(1,206)	(2,473)	(2,988)
<b>Increase (decrease) in net assets</b>	<b>42,938</b>	<b>32,924</b>	<b>(1,499)</b>	<b>(7,124)</b>
Net assets, beginning of year	306,687	273,763	550,678	557,802
Net assets, end of year	\$ 349,625	306,687	549,179	550,678

**Financial Analysis of Government's Funds**

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements.

**Town of Randolph**  
**Management's Discussion and Analysis**  
**June 30, 2006**

---

As of June 30, 2005, the Town's General Fund reported a fund balance of \$104,282. This represents an decrease of \$23,251 (28.7%) over last year's ending balances.

The General Fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 74.3% of total general fund revenues. The largest element of taxes is sales taxes as it has been for the last several years. Sales taxes are followed closely by property taxes which represent 36.0% and 14.5% of general fund revenues, respectively.

The Town maintains only one enterprise fund to account for the business-type activities of the Town. The separate fund statements included in this report provides the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

Significant changes in business-type activities include a \$12,651 decrease in debt due to regular principal payments.

#### General Fund Budgetary Highlights

During the fiscal year the General Fund original budget was amended from an original budget expenditure total of \$169,551 to a final budget of \$132,566 (21.8%). These decreases were made in response to a council decision not to spend funds on park projects in the current year.

#### Capital Asset and Debt Administration

Capital assets - The Town of Randolph's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$28,847 of improvements and machinery & equipment. The total increase in the Town's investment in fixed assets for the current year was 2.06% (due to new purchases exceeding depreciation).

Major capital asset events during the current fiscal year included the following:

\$6,541 for park sound system

\$9,296 for overhaul of dump truck

\$13,010 for improvements to park facilities



**Town of Randolph**  
**Management's Discussion and Analysis**  
June 30, 2006

**Town of Randolph's Capital Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Land	\$ 6,095	6,095	-	-
Buildings	70,944	70,944	-	-
Improvements	28,338	15,328	-	-
Distribution mains and reservoir	-	-	1,008,285	1,008,285
Machinery and equipment	175,003	159,166	30,237	30,237
Less: Accumulated depreciation	(161,123)	(145,272)	(608,545)	(583,949)
Total	<u>\$ 119,257</u>	<u>106,261</u>	<u>429,977</u>	<u>454,573</u>

Additional information on the Town's capital assets can be found in the footnotes of this report.

**Long-term Debt**

At June 30, 2006, the Town had total bonded debt outstanding of \$41,247. This debt is secured solely by specific revenue sources (i.e., revenue bonds).

At June 30, 2006, the Town had a capital lease outstanding in the amount of \$20,877. This debt is secured by machinery and equipment.

The Town's total debt decreased by \$21,924 during the fiscal year.

Additional information on the outstanding debt obligations of the Town can be found in the footnotes to this report.

## **BASIC FINANCIAL STATEMENTS**

**Town of Randolph**  
**Statement of Net Assets**  
June 30, 2006

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 227,256	159,408	386,664
Accounts receivable - net	14,905	18,041	32,946
Prepaid items	1,717	-	1,717
Due from other funds	16,610	-	16,610
Capital assets (net of accumulated depreciation):			
Land	6,095	-	6,095
Buildings	40,821	-	40,821
Improvements	13,855	428,306	442,161
Machinery and equipment	58,486	1,671	60,157
Total assets	379,745	607,426	987,171
<b><u>Liabilities</u></b>			
Accounts payable and accrued liabilities	9,242	390	9,632
Due to other funds	-	16,610	16,610
Note payable - current	4,916	-	4,916
Loan payable revenue bonds - current	-	2,936	2,936
Note payable - noncurrent	15,962	-	15,962
Loan payable revenue bonds - noncurrent	-	38,311	38,311
Total liabilities	30,120	58,247	88,367
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	98,379	388,730	487,109
Restricted for debt	-	8,895	8,895
Restricted for class C road	63,391	-	63,391
Unrestricted	187,855	151,554	339,409
Total net assets	\$ 349,625	549,179	898,804

See accompanying notes and accountants' compilation report.

# Town of Randolph

## Statement of Activities

For the Year Ended June 30, 2006

Function/Programs	Net (Expense) Revenues & Changes in Net Assets			
	Primary Government			Total
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental activities:				
General government	\$ 58,390	5,146	-	(53,244)
Public safety	1,868	-	779	(1,089)
Highways and public improvements	28,120	-	23,659	(4,461)
Parks and recreation	10,866	1,180	4,500	(5,186)
Sanitation	180	-	-	(180)
Total governmental activities	99,424	6,326	28,938	(64,160)
Business-type activities:				
Water utility	50,512	49,940	-	(572)
Total business-type activities	50,512	49,940	-	(572)
Total primary government	149,936	56,266	28,938	(64,732)
General revenues:				
Property taxes		20,460	-	20,460
General sales and use tax		50,949	-	50,949
Franchise tax		33,635	-	33,635
Net interest earnings (expense)		2,054	(927)	1,127
Transfers		-	-	-
Total general revenues		107,098	(927)	106,171
Change in net assets		42,938	(1,499)	41,439
Net assets - beginning		306,687	550,678	857,365
Net assets - ending		\$ 349,625	549,179	898,804

See accompanying notes and accountants' compilation report.

**Town of Randolph**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**

	General Fund	Capital Projects Fund	Total
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 80,292	146,964	227,256
Receivables (net):			
Taxes	10,405	-	10,405
Grants	4,500	-	4,500
Due from other funds	16,610	-	16,610
Prepaid items	1,717	-	1,717
	<u>113,524</u>	<u>146,964</u>	<u>260,488</u>
Total assets			
<b><u>Liabilities and Fund Balances</u></b>			
Liabilities:			
Accounts payable	7,645	-	7,645
Accrued payables	1,597	-	1,597
	<u>9,242</u>	<u>-</u>	<u>9,242</u>
Total liabilities			
Fund Balances:			
Reserved for:			
Roads	63,391	-	63,391
Unreserved, reported in:			
General fund	40,891	-	40,891
Capital projects fund	-	146,964	146,964
	<u>104,282</u>	<u>146,964</u>	<u>251,246</u>
Total fund balances			
Total liabilities and fund balances	<u>\$ 113,524</u>	<u>146,964</u>	<u>260,488</u>

See accompanying notes and accountants' compilation report.

**Town of Randolph**  
**Balance Sheet Reconciliation to Statement of Net Assets**  
**June 30, 2006**

---

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental fund types:	\$ 251,246
--	------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	119,257
---	---------

Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.	(20,878)
--	----------

Net assets of government activities	<u>\$ 349,625</u>
-------------------------------------	-------------------

---

See accompanying notes and accountants' compilation report.

**Town of Randolph**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

	General Fund	Capital Projects Fund	Total
<b><u>Revenues</u></b>			
Taxes	\$ 105,044	-	105,044
Licenses and permits	4,976	-	4,976
Intergovernmental	28,938	-	28,938
Charges for services	1,180	-	1,180
Interest	1,114	1,964	3,078
Miscellaneous revenue	170	-	170
	<hr/>	<hr/>	<hr/>
Total revenues	141,422	1,964	143,386
	<hr/>	<hr/>	<hr/>
<b><u>Expenditures</u></b>			
Current:			
General government	58,185	-	58,185
Public safety	779	-	779
Highways and public works	30,542	-	30,542
Parks and recreation	16,741	-	16,741
Sanitation	180	-	180
Capital outlay	11,744	-	11,744
	<hr/>	<hr/>	<hr/>
Total expenditures	118,171	-	118,171
	<hr/>	<hr/>	<hr/>
Excess revenues over (under) expenditures	23,251	1,964	25,215
	<hr/>	<hr/>	<hr/>
<b><u>Other financing sources (uses):</u></b>			
Transfers in	-	-	-
Transfers (out)	-	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources and uses	-	-	-
	<hr/>	<hr/>	<hr/>
Excess of revenues and other sources over (under) expenditures and other uses	23,251	1,964	25,215
Fund balances - beginning of year	81,031	145,000	226,031
	<hr/>	<hr/>	<hr/>
Fund balances - end of year	\$ 104,282	146,964	251,246
	<hr/>	<hr/>	<hr/>

See accompanying notes and accountants' compilation report.

**Town of Randolph**  
**Statement of Changes Reconciliation to Statement of Activities**  
**For the Year Ended June 30, 2006**

---

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 25,215
---	-----------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	12,996
---	--------

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	<u>4,727</u>
---	--------------

Change in net assets of governmental activities	<u><u>\$ 42,938</u></u>
---	-------------------------

---

See accompanying notes and accountants' compilation report.



**Town of Randolph**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<u>Revenues</u>				<u>Positive</u>
Taxes	\$ 89,000	\$ 95,427	105,044	9,617
Licenses and permits	900	690	4,976	4,286
Intergovernmental	20,600	20,070	28,938	8,868
Charges for services	-	-	1,180	1,180
Grants	53,000	-	-	-
Interest	900	2,000	1,114	(886)
Miscellaneous revenue	7,000	1,450	170	(1,280)
Total revenues	171,400	119,637	141,422	21,785
<u>Expenditures</u>				
Current:				
General government	51,000	58,634	58,185	449
Public safety	600	780	779	1
Highways and public works	32,751	38,752	30,542	8,210
Parks and recreation	10,000	22,200	16,741	5,459
Sanitation	200	200	180	20
Capital outlay	75,000	12,000	11,744	256
Total expenditures	169,551	132,566	118,171	14,139
Excess revenues over (under) expenditures	1,849	(12,929)	23,251	36,180
<u>Other financing sources (uses)</u>				
Transfers (out)	(20,000)	-	-	-
Total other financing sources and uses	(20,000)	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	(18,151)	(12,929)	23,251	36,180
Fund balances - beginning of year	81,031	81,031	81,031	-
Fund balances - end of year	\$ 62,880	68,102	104,282	36,180

See accompanying notes and accountants' compilation report.

**Town of Randolph**  
**Statement of Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	Business-Type Activities - Enterprise <u>Water Utility</u>
<b><u>Assets</u></b>	
Current assets:	
Cash and cash equivalents	\$ 150,513
Accounts receivable - net	<u>18,041</u>
Total current assets	<u>168,554</u>
Noncurrent assets:	
Restricted cash and cash equivalents	8,895
Land, equipment, buildings and improvements	1,038,522
Less: accumulated depreciation	<u>(608,545)</u>
Total noncurrent assets	<u>438,872</u>
Total assets	<u><u>607,426</u></u>
<b><u>Liabilities and Net Assets</u></b>	
Current liabilities:	
Accounts payable and accrued liabilities	390
Due to other funds	16,610
Current portion revenue bonds	<u>2,936</u>
Total current liabilities	<u>19,936</u>
Noncurrent liabilities:	
Revenue bonds (net current portion)	<u>38,311</u>
Total noncurrent liabilities	<u>38,311</u>
Total liabilities	<u>58,247</u>
Net Assets:	
Investment in capital assets net of related debt	388,730
Restricted for debt reserve	8,895
Unrestricted	<u>151,554</u>
Total net assets	<u>549,179</u>
Total liabilities and net assets	<u><u>\$ 607,426</u></u>

See accompanying notes and accountants' compilation report.

**Town of Randolph**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	Business-Type Activities - Enterprise <u>Water Fund</u>
<b><u>Operating Revenues</u></b>	
Charges for services	\$ 48,968
Miscellaneous	972
Total operating revenues	<u>49,940</u>
<b><u>Operating Expenses</u></b>	
Salaries and wages	17,134
Maintenance and supplies	8,802
Depreciation and amortization	<u>24,576</u>
Total operating expenses	<u>50,512</u>
Operating income	<u>(572)</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>	
Interest revenue	1,546
Interest expense and fiscal charges	<u>(2,473)</u>
Total nonoperating revenues (expenses)	<u>(927)</u>
Change in net assets	(1,499)
Total net assets - beginning	<u>550,678</u>
Total net assets - ending	<u><u>\$ 549,179</u></u>

See accompanying notes and accountants' compilation report.

**Town of Randolph**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	Water Fund
<b><u>Cash flows from operating activities</u></b>	
Receipts from customers	\$ 47,440
Payments to suppliers	(8,880)
Payments to employees	(17,134)
Net cash provided (used) by operating activities	21,426
<b><u>Cash flows from non-capital financing activities</u></b>	
Increase in amount due to general fund	(49,642)
Net cash used by financing activities	(49,642)
<b><u>Cash flows from capital and related financing activities</u></b>	
Purchase of fixed asset	-
Principal paid on capital debt	(12,641)
Interest paid on capital debt	(2,473)
Net cash provided (used) by capital and related financing activities	(15,114)
<b><u>Cash flows from investing activities</u></b>	
Interest and dividends received	1,546
Net cash provided (used) by investing activities	1,546
Net increase (decrease) in cash and cash equivalents	(41,784)
Cash and cash equivalents - beginning	201,172
Cash and cash equivalents (deficit) - end	\$ 159,388
<b><u>Reconciliation of operating income to net cash provided (used) by operating activities:</u></b>	
Operating income	\$ (572)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	24,576
(Increase)/decrease in accounts receivable	(2,500)
Increase (decrease) in accounts payable	(78)
Total adjustments	21,998
Net cash provided (used) by operating activities	\$ 21,426

See accompanying notes and accountants' compilation report.

## **NOTES TO FINANCIAL STATEMENTS**

**Town of Randolph**  
**Notes to Financial Statements**  
June 30, 2006

---

**Note 1 - Summary of Significant Accounting Policies**

Reporting entity

The Town is a municipal corporation governed by an elected mayor and four member council. As required by generally accepted accounting principles, these financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations and so data from these units are combined with data of the primary government. However, there are no component units required to be included in the Town's financial statements.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Town of Randolph**  
**Notes to Financial Statements-Continued**  
**June 30, 2006**

---

**Note 1 - Summary of Significant Accounting Policies - Continued**

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* accounts for the ongoing acquisition and replacement of major capital assets needed to maintain the operations of the town.

The Town reports the following major proprietary fund:

The *water fund* accounts for the operations of the Town's water system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

**Town of Randolph**  
**Notes to Financial Statements-Continued**  
**June 30, 2006**

---

**Note 1 - Summary of Significant Accounting Policies - Continued**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, service, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the public utility enterprise fund are charges to customers for sales and services. The fund also recognizes as operating revenue the portion of water connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Assets, liabilities, and net assets or equity**

**1. Deposits and investments**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

All trade, property, sales, and franchise tax receivables are shown net of an allowance for uncollectibles.



**Town of Randolph**  
**Notes to Financial Statements-Continued**  
**June 30, 2006**

**Note 1 - Summary of Significant Accounting Policies - Continued**

Property taxes are collected by the County Treasurer and remitted to the Town shortly after collection. Property taxes are levied based on property values as of January 1 of each year, with liens posted as of the same date. Taxes are due and payable on November 1 and delinquent after 12 o'clock noon on November 30 of each year.

Sales taxes are collected by the State Tax Commission and remitted to the Town monthly.

Franchise taxes are collected by the telephone operations and are remitted to the Town monthly.

**3. Restricted cash and cash equivalents**

Certain resources of the Town's water enterprise funds are set aside for the repayment of revenue bonds, and for repairs of the system as required by applicable bond covenants.

**4. Capital assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	15
System infrastructure	30
Vehicles	5
Equipment	7

**Town of Randolph**  
**Notes to Financial Statements-Continued**  
**June 30, 2006**

**Note 1 - Summary of Significant Accounting Policies - Continued**

6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

7. Fund equity/Net assets

Contributed capital is recorded in proprietary funds that have received capital contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally separated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

**Note 2 - Reconciliation of Government-wide and Fund Financial Statements**

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 280,380
Accumulated depreciation	<u>(161,123)</u>
Total difference	<u><u>\$ 119,257</u></u>

**Town of Randolph**  
**Notes to Financial Statements-Continued**  
**June 30, 2006**

**Note 2 - Reconciliation of Government-wide and Fund Financial Statements - Continued**

B. Explanation of differences between governmental fund operating statements and the statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 28,847
Depreciation expense	<u>(15,851)</u>
Net difference as reported	<u><u>\$ 12,996</u></u>

**Note 3 - Stewardship, Compliance, and Accountability**

**Budgetary information**

Budgets are prepared and adopted, in accordance with State law, by the Town of Randolph Council on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, and enterprise funds. Tentative budgets must be adopted on or before June 22nd for the following fiscal year, beginning July 1. Final adoption of the budget must be no later than August 17th. Budgets may be increased by resolution of the Town Council at any time during the year. A public hearing must be held regarding any proposed increase in a fund's appropriations. The budget is adopted by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Town Council. The legal level of budgetary control is the function level. Appropriations lapse at June 30.

Utah State law states that expenditures being made in excess of those budgeted, is an illegally created debt in violation of the Utah Constitution. As such the total illegally created deficit should be budgeted to be made up in the following fiscal year. Deficits arising from emergencies are not illegal and may be retired over 5 years. The law also allows for the accumulation of a fund balance in the general fund in an amount equal to 75% of the total estimated revenue of the General Fund. In the event that the fund balance, at the end of the fiscal year, is in excess of that allowed, the Town has one year, to determine an appropriate use and then the excess must be included as an available resource in the General Fund budget.

**Town of Randolph**  
**Notes to Financial Statements-Continued**  
**June 30, 2006**

**Note 4 - Detailed Notes on all Funds**

**Deposits and investments**

The Town maintains cash accounts with local institutions only. The Town has no other investments.

Utah State law requires that Town funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the Town's exposure to various risks related to its cash management activities.

*Custodial credit risk - Deposits.* This is the risk that in the event of a bank failure, the government's deposits may not be recovered. The Town's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the Town to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$294,190 of the \$394,190 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk - Investments.* This is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments that are in the possession of an outside party. The Town has no investments.

As of June 30, 2006, the Town had the following deposits and investments:

<u>Deposit and investment type</u>	<u>Fair value</u>
Cash on deposit	<u>\$ 394,190</u>
Total cash and investments	<u><u>\$ 394,190</u></u>

*Credit risk.* This is the risk that the counterparty to an investment will not fulfill its obligations. The Town's policy for limiting the credit risk of investments is to comply with the Money Management Act.

**Town of Randolph**  
**Notes to Financial Statements-Continued**  
**June 30, 2006**

**Note 4 - Detailed Notes on all Funds - Continued**

*Interest rate risk.* This is the risk that changes in interest rates of debt investment will adversely affect the fair value of an investment. The Town manages its exposure to declines in fair value by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

*Concentration of credit risk.* This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town has no concentration of credit risk.

Cash and investments reported in the statement of net assets are as follows:

Cash on deposit	<u>\$ 386,664</u>
-----------------	-------------------

Components of cash and investments (including interest earning deposits) at June 30, 2006, are as follows:

Cash and cash equivalents	<u>\$ 386,664</u>
---------------------------	-------------------

**Receivables**

Receivables as of year end for the government's general and enterprise funds are as follows:

	General	Enterprise	Total
Accounts	\$ -	18,041	18,041
Property tax	488	-	488
Sales tax	3,586	-	3,586
B & C road revenue	4,994	-	4,994
Franchise tax	1,337	-	1,337
County Grant	4,500	-	4,500
	<u>\$ 14,905</u>	<u>18,041</u>	<u>32,946</u>

**Town of Randolph**  
**Notes to Financial Statements-Continued**  
**June 30, 2006**

**Note 4 - Detailed Notes on all Funds - Continued**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

**Capital assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

Primary Government	Beginning			Ending
Governmental activities:	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Land	\$ 6,095	-	-	6,095
Total capital assets not being depreciated	6,095	-	-	6,095
Capital assets being depreciated:				
Buildings	70,944	-	-	70,944
Improvements	15,328	13,010	-	28,338
Machinery and equipment	159,166	15,837	-	175,003
Total capital assets being depreciated	245,438	28,847	-	274,285
Governmental activities:				
Less accumulated depreciation for:				
Buildings	28,704	1,419	-	30,123
Improvements	13,642	841	-	14,483
Machinery and equipment	102,926	13,591	-	116,517
Total accumulated depreciation	145,272	15,851	-	161,123
Total capital assets, being depreciated, net	100,166	12,996	-	113,162
Governmental activities capital assets, net	\$ 106,261	12,996	-	119,257
Business-type activities:				
Capital assets being depreciated:				
Distribution mains and reservoir	1,008,285	-	-	1,008,285
Machinery and equipment	30,237	-	-	30,237
Total capital assets being depreciated	1,038,522	-	-	1,038,522
Less accumulated depreciation for:				
Distribution mains and reservoir	555,712	24,267	-	579,979
Machinery and equipment	28,257	309	-	28,566
Total accumulated depreciation	583,969	24,576	-	608,545
Total capital assets, being depreciated, net	454,553	(24,576)	-	429,977
Business-type activities capital assets, net	\$ 454,553	(24,576)	-	429,977

**Town of Randolph**  
**Notes to Financial Statements-Continued**  
**June 30, 2006**

**Note 4 - Detailed Notes on all Funds - Continued**

Capital assets - continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 1,471
Public safety	1,089
Highways and public improvements	12,625
Parks and recreation	666
Total depreciation expense -governmental activities	<u>15,851</u>

Business-type activities:

Water fund	<u>24,576</u>
Total depreciation expense - business-type activities	<u>24,576</u>

Total depreciation expense	<u><u>\$ 40,427</u></u>
----------------------------	-------------------------

Interfund receivables, payables, and transfers

Individual interfund receivable and payable balances at June 30, 2006 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General fund	\$ 16,610	-
Water fund	<u>-</u>	<u>16,610</u>
	<u><u>\$ 16,610</u></u>	<u><u>16,610</u></u>

Interfund receivables and payables are help with expenditures during the year which exceed revenues. The intent is for the funds to pay back these accounts with revenues from the next fiscal year.

**Town of Randolph**  
**Notes to Financial Statements-Continued**  
June 30, 2006

**Note 4 - Detailed Notes on all Funds - Continued**

Capital lease

The Town has entered into a lease agreement as lessee for financing the acquisition of a backhoe loader. This lease agreement qualifies as an capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date.

The asset acquired through the capital lease is as follows:

Assets:	General Fund
Machinery & equipment	\$ 65,900
Less: accumulated depreciation	<u>(28,242)</u>
Total	<u>\$ 37,658</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006 were as follows:

Year Ending June 30	Governmental Activities
2007	<u>5,752</u>
2008	5,751
2009	5,752
2010	<u>5,751</u>
Total minimum lease payments	23,006
Less: amount representing interest	<u>(2,129)</u>
Present value of minimum lease payments	<u>\$ 20,877</u>

Revenue bonds

The Town issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original debt of the GMAC mortgage water revenue bond was \$63,773 with monthly installments of \$411 beginning July 1, 1996, due in November of 2017. Revenue bonds outstanding at year end are as follows:



**Town of Randolph**  
**Notes to Financial Statements-Continued**  
June 30, 2006

**Note 4 - Detailed Notes on all Funds - Continued**

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
GMAC Mortgage	5.00%	41,237
		<u>\$ 41,237</u>

Revenue bond debt service requirements to maturity are as follows:

<u>For the year ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2007	2,936	1,996
2008	3,086	1,846
2009	3,244	1,688
2010	3,410	1,522
2011	3,584	1,375
2012-2016	20,867	3,794
2017	4,110	98
Total	<u>\$ 41,237</u>	<u>12,318</u>

**Changes in long-term liabilities**

Long-term liability activity for the year ended June 30, 2006 was as follows:

	<u>Beginning</u>			<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Business-type activities:					
Bonds payable:					
Water revenue bonds	\$ 53,888	-	(12,651)	41,237	2,936
Total bonds payable	<u>\$ 53,888</u>	<u>-</u>	<u>(12,651)</u>	<u>41,237</u>	<u>2,936</u>
Governmental activities:					
Notes payable	\$ 30,150	-	(9,273)	20,877	4,916
Total notes payable	<u>\$ 30,150</u>	<u>-</u>	<u>(9,273)</u>	<u>20,877</u>	<u>4,916</u>

**Town of Randolph**  
**Notes to Financial Statements-Continued**  
**June 30, 2006**

---

**Note 5 - Other Information**

**Risk management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

**Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

There are a few potential lawsuits in which the Town is involved. The Town's attorney estimates that the potential claims against the Town resulting from such litigation not covered by insurance would not materially affect the financial statements of the Town.